

"(i) such distribution is received by the individual on or before the last day prescribed by law (including extensions of time) for filing such individual's return for such taxable year and

"(ii) such distribution is accompanied by the amount of net income attributable to such excess contribution.

Any net income described in clause (ii) shall be included in the gross income of the individual for the taxable year in which it is received.

"(B) EXCESS CONTRIBUTION.—For purposes of subparagraph (A), the term "excess contribution" means any contribution (other than a rollover contribution) which is neither excludable from gross income under section 106(f) nor deductible under this section.

"(4) ADDITIONAL TAX ON DISTRIBUTIONS NOT USED

FOR

QUALIFIED MEDICAL EXPENSES.—

"(A) IN GENERAL.—The tax imposed by this chapter on the account holder for any taxable year in which there is a payment or distribution from a medical savings account of such holder which is includible in gross income under paragraph (2) shall be increased by 15 percent of the amount which is so includible.

"(B) EXCEPTION FOR DISABILITY OR DEATH.—Subparagraph (A) shall not apply if the payment or distribution is made after the account holder becomes disabled within the meaning of section 72(m)(7) or dies.

"(C) EXCEPTION FOR DISTRIBUTIONS AFTER MEDICARE

ELIGIBILITY.—Subparagraph (A) shall not apply to any payment or distribution after the date on which the account holder attains the age specified in section 1811 of the Social Security Act.

"(5) ROLLOVER CONTRIBUTION.—An amount is described in this paragraph as a rollover contribution if it meets the requirements of subparagraphs (A) and (B).

"(A) IN GENERAL.—Paragraph (2) shall not apply to any amount paid or distributed from a medical savings account to the account holder to the extent the amount received is paid into a medical savings

account for the
benefit of such holder not later than the
60th day after
the day on which the holder receives the
payment or dis-
tribution.

"(B) LIMITATION.—This paragraph shall not apply
to
any amount described in subparagraph (A)
received by
an individual from a medical savings account
if, at any
time during the 1-year period ending on the
day of such
receipt, such individual received any
other amount
described in subparagraph (A) from a medical
savings
account which was not includible in the
individual's gross
income because of the application of this
paragraph.

"(6) COORDINATION WITH MEDICAL EXPENSE
DEDUCTION.—

For purposes of determining the amount of the
deduction under
section 213, any payment or distribution out of a
medical sav-
ings account for qualified medical expenses shall
not be treated
as an expense paid for medical care.

"(7) TRANSFER OF ACCOUNT INCIDENT TO DIVORCE.
—The
transfer of an individual's interest in a medical
savings account